



## NEWS: INTERNATIONAL

## Anxious German employers weigh up interests

SOME German engineering executives are shivering in their shoes at the thought of a strike, while others are keen for a fight and the rest are playing it cool.

With such a big gap between the demand by the powerful IG Metall trade union for a 9.5 per cent pay rise and the employers' offer of 3.3 per cent, a strike would seem inevitable. Employers have said they will resort to widespread lockouts if industrial action occurs.

However, the seriousness with which the latest round of weekend talks was being taken in the southern state of Baden-Württemberg suggested a desire to reach an accord, if possible, the state is home to such doyens of German industry as Daimler-Benz and its Mercedes-Benz car and truck subsidiary, Robert Bosch, the components company, and Porsche sports cars.

A strike would be expensive for both sides. The question is whether employers look more to short- or long-term interests. Many of Germany's small- and medium-sized engineering and components manufacturers have said last year's near 7 per cent settlement was too much for them. Now, with domestic and foreign markets weaker and foreign competition stiffening, they want as low a deal as possible. If that means a strike to preserve longer-term competitiveness, many are prepared for that.

There is a heavy concentration of such *Mittelstand* companies in north Baden-Württemberg, where the weekend talks took place in Karlsruhe. Deals agreed there in recent years were adopted in the rest of the country. During the last strike called by IG Metall in 1984, many *Mittelstand* operations were hit hard. But the big com-

## Andrew Fisher on prospects for the engineering sector in the event of a strike

panies also suffered. Bosch, with its central importance as a supplier to car manufacturers, was a strategic target for the union, which was able to achieve its object without calling out its members across the country.

However, the law has been changed so workers at plants affected by a strike elsewhere do not receive welfare payments if they have to stop work. This could put pressure on the union to make its strikes more widespread so that all workers involved in industrial action receive strike

pay. On the other hand, such tactics would also quickly reduce IG Metall's coffers.

Either way, it could make for a short strike, if there is one. Stuttgart, the local capital, is where the big companies such as Mercedes and Bosch are based, but *Mittelstand* companies are scattered through the state. Altogether, the region where the talks are being held has 700,000 of west Germany's 4m engineering workers. But it is not the only concentration of engineering might. The industry employs more than 800,000 people in the neighbouring state of Bavaria, home to the BMW and Audi car manufacturers, Engelischer (bearings), and MAN (trucks, printing machinery, and diesel engines).

The biggest block of output, however, is located in the state of North Rhine-Westphalia which has nearly 1m engineering workers and includes the

traditional heavy industrial area of the Ruhr. Many employers in the state, such as Mannesmann, Thyssen, Krupp, and Hoesch, have switched their emphasis from steel and heavy engineering to high-technology sectors such as components and automation. But that does not make them less vulnerable.

Modern production methods mean that plants which rely on just-in-time deliveries - notably in the car industry - could be shut down quickly. Volkswagen, in the more remote town of Wolfsburg in Lower Saxony, a state with 120,000 engineering workers, turns out 4,000 cars a day there. Its Bavarian-based Audi subsidiary makes 2,000 daily. In the state of Hesse (360,000 workers in the industry) Opel, the General Motors subsidiary, has its main plant near Frankfurt, while the local subsidiary of

Ford of the US is based in Cologne, south of the Ruhr.

Mr Ferdinand Piech, head of Audi, said last week that a strike would cost the company some DM30m (\$18.3m) a day in lost revenue. But each 1 per cent on the wage bill would also add DM30m a year to its costs. "I hope there is no industrial conflict," he said. But since other companies seem to be eager for one, "I see little chance that this will not happen."

Audi is profitable and racing to meet high demand, so it could well do without a strike. But some components companies which are losing money because of weak foreign markets have indicated that they would not mind a brief shutdown. Whatever happens, many companies are likely to consider shifting more output to lower-cost countries. That is what Bosch did after 1984.

## Munich airport takes off after 30 years of fuss

By Christopher Parkes in Munich

FLUGHAFEN München Franz Josef Strauss, a memorial to Bavaria's most-loved prime minister and a monument to German patience, opened its bright new runways to commercial air traffic yesterday. Overnight, almost 700 trucks, 1,500 rail wagons and 5,000 people shifted all the moveable paraphernalia - workshop equipment, mobile aircraft steps and the contents of 9,000 offices - out of the old Riem airport, and switched out the lights.

After more than 30 years of planning, litigation, stop-go building and more litigation, Munich's new air transport hub went straight to work with no fuss. All the ceremonial button-pushing had been done well in advance before Sekt-sipping audiences of invited guests.

There were no bands, booms or brouhaha to greet the first wave of paying visitors. The protesters who have dogged the project since its inception managed a small show of force, but kept their main events for villages in the surrounding countryside.

Meanwhile the new airport's customers, siphoned from their aircraft, trains and cars directly into the main concourse of the single, 1,000-metre-long terminal, quickly discovered what life is like inside a pinball machine.

Getting lost is impossible. Getting around is mindless. Brain cells concerned with anxiety are left free to ponder who put the cat out. Immaculate signposts in English and German shunt travellers left, right, up, down and along walkways and escalators which deposit them at their appointed slots in the array of nine gate areas.

There are no escalators, arms, fingers or any of the other appendages commonly tacked on to other international airports.

The concourse, a white, grey

and blue confection in steel tube, with all the charm of the inside of a washing machine, features environmentally-friendly rubbish bins but hardly anywhere to sit without having to pay through the nose for a beer and a bun.

Bavaria's showpiece has already cost DM5.5bn (\$3.18bn) - 30 per cent from the state and the balance from private financing - and the returns are already flowing in.

The airport's own turnover, expected to reach DM1bn a year by 1995, is only a part of the reward. According to Mr Willi Hermesen, managing director, the project provided up to 6,000 jobs in the building period and there are more to come.

Almost 120 airlines have elected to use Munich II, as it is now known, compared with 80 at Riem. Able to handle 75 aircraft movements an hour, it already has 15 per cent more capacity than Frankfurt. By 2000, passenger throughput is expected to almost double from today's estimates of 11m a year, and there is already talk of another terminal being built.

Mr Hermesen reckons local outside contractors can count on DM75m a year in work from the airport. On the site itself, 300 companies currently employ 15,000 people, a total destined to grow to 20,000 by the end of the decade.

Beyond the perimeter fence, and all along the 30km road to Munich, cranes and earthmovers mark the sites of new hotels, offices and industry parks in an area formerly kept for cabbage and sugar beet. Land prices, between DM30 and DM50 a square metre 10 years ago, now range between DM500 and DM1,000.

Meanwhile, the local resistance movement, which put up an estimated 7,000 legal challenges to Munich II during planning and development, is bracing itself for the next round. Targets: the extra terminal and the likely need for new road and rail connections.

## Swiss vote narrowly to embrace the IMF and World Bank

THE Swiss took a big step off their traditional isolationist pedestal yesterday as a slim majority voted in a referendum to endorse their government's desire to join the International Monetary Fund (IMF) and the World Bank, writes Ian Rodger in Zurich.

As has become customary in

Swiss plebiscites, the turnout was a feeble 39 per cent, and only 56 per cent of those voted were in favour. Still, the result will give a big boost to those Swiss who believe that their country's future lies in abandoning isolationism and joining more international and European institutions, includ-

ing ultimately the European Community.

Within the next year, two tough referendum battles on European issues are expected. The first, in September, is to approve the construction of new rail tunnels through the Alps. The second, not yet scheduled, is to ratify a recent

agreement that would bring together the seven countries of the European Free Trade Association, including Switzerland, and the European Community into the European Economic Area (EEA).

The result of the IMF referendum, which would make Switzerland the Fund's 167th

member, will come as a relief to officials of the Swiss National Bank who have long been embarrassed that a country with as large a stake in the world economic and financial systems was unable to participate in the deliberations of the Bretton Woods institutions. It may also give a boost to

the Swiss franc, which has been uncharacteristically weak in recent months.

The vote on the IMF confirms a substantial shift in Swiss sentiment since 1986 when voters decisively rejected a government proposal that the country join the United Nations.

"I moved to Milton Keynes two years ago. I've found a wonderful wife, a great job and a home I can afford. I think I might stick around."



## Forlani forced to pull out of Italy's presidential race

By Robert Graham in Rome

ITALY'S Christian Democrats suffered a big reverse yesterday when the leadership was forced to withdraw the party's official presidential candidate, Mr Arnaldo Forlani, from the race.

The withdrawal of Mr Forlani after he twice failed to obtain sufficient backing in the special parliamentary vote for the presidency is likely to complicate the five-day-old process of choosing Italy's ninth post-war head of state.

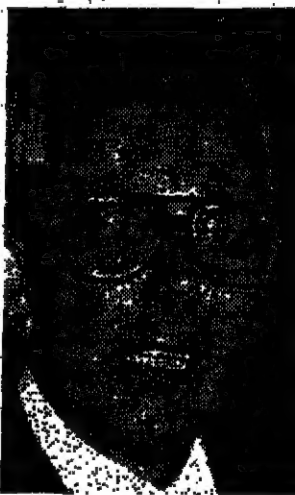
The opposition to Mr Forlani, the Christian Democrat party secretary, also underlined the serious divisions within both the party and its allies in the outgoing government coalition.

The presidential race was last night again open, with the Christian Democrats reconsidering the whole basis of their alliances and whether they should seek a candidate from within their own ranks.

Mr Forlani had only emerged as the Christian Democrats' official candidate on Friday after a series of hectic late-night negotiating sessions and four inconclusive rounds of voting in parliament.

When he stood in the fifth and sixth rounds he got 465 and 479 votes. This was well short of the simple majority of 508 votes required after the first three rounds in which a two-thirds majority was necessary, had passed.

As one of the party's most experienced political figures and the man responsible for strategy in the April 5 general elections, Mr Forlani had been chosen as a heavyweight to rally support among a demoralised and divided party. The Christian Democrats had also



Forlani: heavyweight

counted on the support of their allies in the outgoing coalition - the Socialists, Liberals and Steel Democrats.

In theory, the four should have been able to muster 639 votes if all the deputies, senators and regional council representatives had backed Mr Forlani.

The failure of Mr Forlani underlines the virtual impossibility in the present parliamentary climate of finding a presidential candidate proposed solely by the outgoing four-party coalition.

## Bank of Japan

We have been asked to make it clear that the figures concerning doubtful debts of Japanese financial institutions quoted in Saturday's Financial Times are estimates by Japanese bankers, and not the Bank of Japan. The estimates are based on bankers' own assumptions and various data. The correct range of the bankers' estimates of the total bad and doubtful debts of banks and financial institutions is ¥42,000m-¥54,000m as given by the table accompanying the article.

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## NEWS: INTERNATIONAL

Lamont  
to face  
pressure  
over VAT

By Andrew Hill in Brussels

BRITAIN'S European Community partners and the Commission are likely to put Mr Norman Lamont, the UK chancellor of the exchequer, under pressure tomorrow to abandon his hard line against legally binding EC rates of value added tax (VAT).

EC finance ministers will meet in Brussels to discuss for the first time the most sensitive aspects of indirect tax harmonisation, including draft directives which would give a legal form to last June's historic agreement on VAT and excise rates.

Ministers agreed then to keep to a 15 per cent minimum standard rate of VAT from January 1 1993, to abolish special top rates on luxury goods, and to simplify reduced rates.

Mr Lamont won almost all the concessions the UK required - the right, for example, to keep zero-rating on certain household necessities - but the Commission has so far shied away from asking Britain to back a legally binding directive. Like all EC tax measures, the directive on the table tomorrow requires the unanimous approval of the 12 member states.

The British government does not see the need for legal constraints on VAT rates and is also suspicious of Commission-inspired measures which bind UK fiscal policy.

British officials in Brussels refused to comment at the weekend about whether the chancellor's position had changed since last June, when a succession of meetings was required even to reach a broad political agreement.

Moreover, the ministers are unlikely to reach formal agreement on any of the fiscal measures under discussion tomorrow. These highly sensitive areas include a revived proposal to impose VAT on art works and collectors' items, and measures to ensure last June's agreement on harmonised excise duties on alcohol and tobacco.

Tough entry  
proposals for  
new EC states

By David Gardner in Brussels

THE European Commission wants to set high entry requirements for new members of the EC before the Community's next constitutional review in 1996.

This was the main outcome of last week's closed Commission debate on enlargement, at which all but two of the 17-strong EC executive agreed to shelve plans to seek a redistribution of power among Community institutions to accommodate new members.

Because early membership will allow such countries as Sweden and Austria to take part in the 1996 review, intended to launch the next phase of the European Union agreed at Maastricht, Brussels wants to commit entrants before then to accepting the logic of greater integration - including an eventual common defence policy.

The Commission fears that, otherwise, member states like the UK will be encouraged in their efforts to dilute integration.

The confidential discussion document setting out the implications of opening the EC to up to 30 members makes clear that the Commission is looking at a radical reform of the Community power structure in the medium term, as new waves of members come in from Nordic and Alpine countries, eastern Europe, and the Mediterranean.

Last Tuesday, Mr Jacques Delors, Commission president, denied to Danish journalists that he had suggested strengthening the powers of the EC executive at the expense of small member states.

The denial followed an attack on Mr Delors by Mr Uffe Ellemann-Jensen, the Danish foreign minister, who warned him that rumours of the Commission's plans were jeopardising the outcome of the June 2 referendum in Denmark to ratify the Maastricht treaty on economic and monetary union

(Emu) and political union.

The confidential document is drawn up by the Commission's Enlargement Task Force, to assist the Commission in preparing a report on "widening" the EC for the Lisbon summit on June 26-27. It includes as possible reforms:

- a "group-presidency" of three member states to replace the current system, whereby the presidency rotates each six months alphabetically among the 12, regardless of their size and administrative capacity. The group formula would have a president and two vice-presidents who would share presiding over internal EC business each four months; these groups would rotate alphabetically each year, but with "modulation to avoid conjunctions such as Latvia, Lithuania, Luxembourg", the document says. It leaves open the sensitive issue of whether "big" states should always lead the group.

- a strengthened executive "combining elements of presidency and commission, and accountable to parliament and council." Like much of the document, this suggestion is accompanied by a question mark.

- an extension of majority voting. The current qualified majority system requires 54 votes, or 71 per cent of 76 votes, apportioned according to size of country. The document's most radical suggestion is to "freeze the qualified majority at its present level of 54 votes, so that each successive enlargement [with more votes added to the total] reduces the relative level, from 71 per cent progressively towards 50 per cent."

These formulae would favour member states like Germany, concerned to strengthen integration while opening up the EC, as well as France, which wants to "deepen" before any "widening". Senior Brussels officials make clear that consideration of them has been shelved, so as not to endanger ratification of Maastricht by the 12.

## Lone Dane in Maastricht campaign

By Hilary Barnes in Copenhagen

AT 6.55am today, at the fish auction in Skagen, Danish foreign minister Uffe Ellemann-Jensen was due to begin a six-day campaign to persuade Danes to say Yes to the Maastricht Treaty on European Union.

His 33-meeting campaign, by far the most energetic by any politician, may have a crucial influence on the vote in a referendum on June 2. Opinion polls indicate that the result could go either way.

Mr Ellemann-Jensen begins his campaign after a week in which he forced Mr Jacques Delors, president of the European Commission, to deny a rumour that he and his staff were considering a plan to limit the influence of the EC's smaller nations.

Denmark will be the first of the EC countries to approve or reject Maastricht, and only one other country, Ireland, will be holding a referendum.

"It is not Europe's future which is at stake. If Denmark says No, we shall see a new Maastricht Treaty with 11 signatures, and in practice a new Rome Treaty with 11 signatures," he predicted.

Among other things, Denmark, one of the Community's largest agricultural exporters, would risk losing the benefits of the Common Agricultural Policy, he said.

If the vote is No, the Danish government will ask the other governments for a renegotiation of the Maastricht Treaty, but Mr Ellemann-Jensen, foreign minister since 1982, regards renegotiation as a non-starter. "The treaty is a Pandora's box which no one wants to open. So we shall have to see what we can save from the wreckage."

Pro-Maastricht politicians in the opposition Social Democratic party say the foreign minister's enthusiasm for Europe and his plain-speaking about the consequences of rejection amount to scaremongering and may help to ensure that the treaty is voted down. But their party, which favours the treaty, seems to have given



Ellemann-Jensen: treaty a Pandora's box

giving and may help to ensure that the treaty is voted down. But their party, which favours the treaty, seems to have given

up. Its recently elected leader, Mr Poul Nyrup Rasmussen, has only four public appearance meetings on his calendar for the coming two weeks, and two of those have nothing directly to do with Maastricht.

"It is not surprising if I am beginning to feel somewhat lonely on the barricades," says the foreign minister.

European opinion polls consistently show the Danes to be among the most sceptical about the European Community, but Mr Ellemann-Jensen regards this as misleading.

It is connected with the fact that the Danes take themselves seriously. "We have more thorough debates than anyone, amounting almost to self-torture. There is no other country where the Maastricht Treaty has been examined in every detail, as it has in Denmark, both before and after it was signed."

"But I might discreetly remind you that we are the nation that tops the list of those who live up to their obligations. We are the country which has gone furthest in introducing the rules for the internal market and which has the fewest cases brought against it in the European Court."

Danish doubts about European union he ascribes partly to past failures to draw attention to the political aspects of European co-operation. In 1972, when there was a referendum on joining the EC, the issue was pork prices, and in 1986, when there was a referendum to approve the Single European Act, the issue was competitiveness. "So it is something new when we now come clean and explain that it is primarily a political question. It has caused a good deal of confusion."

In both 1972 and 1986 opinion polls also showed the voters to be sceptical, but when it came to the point there were large majorities in favour. And in 1992, "I am convinced we shall see a Yes," says Mr Ellemann-Jensen.

## High-tech future for food retailers

By John Thornhill



THE EUROPEAN MARKET

THE structure of the food retailing industry varies enormously across Europe: how pizzas, pastas and pasties are sold remains a largely parochial affair.

Europe's food retailing markets are still dominated by domestic companies - with the possible exception of French hypermarkets in Spain. Those in northern Europe are characterised by a few, powerful grocery chains while the southern sunbelt boasts highly-fragmented regional industries.

Although they have similar numbers of consumers, Italy has three times as many food retailing outlets as the UK, for example.

But in spite of the differences, food retailers across Europe are facing many common challenges: flat sales; a static and ageing customer base; the increasing internationalisation of their supplier base; and perhaps most important, inflated demands for variety, quality and choice.

In order to respond to such changes, J. Sainsbury, the leading grocery chain in the UK, launches more than 1,000

own-label products every year and stocks more than 15,000 lines in its bigger stores - almost twice the number of a decade ago.

The future velocity of change will be even more daunting. If the experience of the US is any guide. Last year alone, according to one observer, food makers launched 133 new cereal products, 64 new flavours of spaghetti sauce, and 69 new variations of disposable nappies. There are more than 30,000 lines in the average US supermarket.

Against this increasingly complex background, food retailers have to generate growth by squeezing more profit out of the same sales volumes through productivity improvements and greater distribution efficiency. Some observers believe recent technological developments have brought scope for vast structural change across the European grocery trade.

Mr John Hollis, a senior partner at Andersen Consulting who has conducted a study of the European market in the 1990s for the Coca-Cola Retailing Research Group, says: "Over the next five years we will see a major change in the way the grocery industry organises itself."

He believes differences in distribution efficiency will mark national industries, with the implication that companies

which can develop a successful formula will be able to translate their success into foreign markets.

The ultimate dream for retailers is to develop a "stockless distribution chain" with suppliers which will give them enormous cost advantages by reducing the need for expensive storage space.

The report suggests the two main routes to this are electronic point of sale (Epos) equipment, which scans the bar-codes on all products sold, recording supermarket sales patterns throughout the day, and electronic data interchange (EDI), which creates an information network between retailers and manufacturers allowing both to align their operations more closely to sales patterns.

Some of the most skilled practitioners of these developments have been the big UK retailers, which have introduced Epos equipment, stopped direct manufacturer supplies to their stores and centralised their distribution functions.

This process has reached the stage where Tesco has been able to open a supermarket in Leatherhead, in Surrey, with no warehouse space at the back. Instead, it receives its goods through a series of meticulously-calculated daily deliveries.

But the Andersen report suggests

that such companies have as yet fully tackled only half of the distribution chain. The challenge in the 1990s will be to attack the manufacturing end through speedier exchange of sales information using EDI networks, as Tesco is beginning to do.

To be effective, such partnerships will require a high degree of transparency and trust. Retailers have to trust manufacturers with sensitive sales information and be confident they can deliver to tight lead times, while manufacturers have to open up their operating procedures to the retailers' scrutiny.

But if the two sides fail to establish such partnerships an alternative scenario may emerge. If food makers can adopt highly flexible manufacturing methods and create joint distribution networks with one another, they could perhaps create entirely new retail channels, bypassing traditional supermarkets altogether.

Stores may simply become compact "idea centres" where customers pick what they want to buy from a display of products and later collect ready-packaged bundles of goods from a nearby distribution centre.

Or the dream of every couch potato may be realised, with electronic home shopping and direct delivery becoming economically feasible.

## WHAT'S BEHIND THE MOST SOPHISTICATED TV'S IN THE WORLD? TAIWAN.

Would you be surprised to learn that Taiwan is the one to watch for advanced video technology and design?

Don't be.

Televisions aren't just made in Taiwan, they're very well made in Taiwan.

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Video technology from Taiwan is helping to develop flat screen, high resolution and high definition TV. All with an eye toward achieving one goal - unparalleled picture quality.

The television shown here is just one example of the sophisticated technology coming from Taiwan today. Taiwan's engineers and manufacturers are dedicated to creating a wide range of high quality products for both business and pleasure.

So if you want to know what's behind the latest in technology, tune in to Taiwan.

IT'S VERY WELL MADE IN  
**TAIWAN**

## NEWS: INTERNATIONAL

World Bank's annual development report breaks ranks with some conventional wisdom

## Clean environment 'compatible with growth'

By Michael Prowse  
in Washington

THE World Bank paints a Dr Jekyll and Mr Hyde picture of the environmental outlook in its annual world development report.

It says rapid economic growth can be compatible with an improved environment, but only if developing countries commit themselves to radical reforms costing 2-3 per cent of annual gross domestic product (GDP). In the absence of reforms, "appalling environmental damage" is likely.

Over the next 40 years the bank expects the world's population, now at 5.3bn, to grow by more than two-thirds to about 9bn. About 90 per cent of the increase will occur in developing countries. Food demand is expected nearly to double while global industrial output and energy consumption will more than triple.

Green lobbyists may wonder at the bank's arithmetic: how can environmentally sound growth be bought at the price of a few per cent of GDP a year?

The bank's answer is to attribute no intrinsic value to the environment as such: destruction of natural capital is not counted as a charge against current production. It then claims that the level of output is only one of several factors influencing pollution.

Clean technologies can reduce the environmental damage inflicted per unit of raw material consumed and improved economic efficiency can reduce the inputs required for a given level of output.

Changes in prices can reduce demand for environmentally-damaging products.

The reassuring conclusion is that rapid growth need not threaten the environment. Dozens of colourful graphs reinforce the message.

Divergent lines show how the environmental outlook can be good, mediocre or awful - depending on the policies of developing countries. If nothing is done, for example, vehicle emissions will rise more than fivefold by 2030; with tough reforms, they could fall.

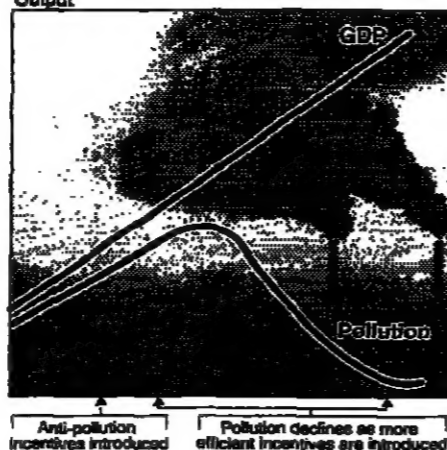
Experience in rich countries shows that growth and pollution can sometimes be "delinked". Since 1970 the output of rich countries has risen by 80 per cent yet lead emissions, for example, have fallen by 50 per cent in Europe. Air quality has improved, yet the annual cost of anti-pollution measures has been less than 1.5 per cent of GDP.

The bank's ranking of environmental priorities sharply diverges from conventional wisdom. In order of importance the third world's problems are:

- Lack of clean water and sanitation. Some 1.7bn poor people lack access to sanitation while 1bn lack clean water. This causes 900m cases of diarrhoeal diseases a year and more than 3m children die.
- Air pollution. Some 1.3bn people live in urban areas where output of particulates (for example, dust and smoke) far exceeds safe levels. Between 300m and 700m people, especially women and children, experience chronic indoor air pollution from cooking fires.

## GDP growth and pollution: Breaking the link

The theory



● Soil degradation. The loss of productive potential in rural areas due to soil erosion depletes GDP by as much as 1.5 per cent a year. The problems reflect poor farming methods and inefficient irrigation as well as advancing deserts.

The bank says these chronic problems mainly reflect lack of development rather than too much growth. The way to tackle them is by reducing poverty. The single most important step is better female education, which would sharply reduce family size and promote sounder agricultural policies as women are usually the "principal managers of natural resources".

Some environmental problems are side-effects of growth. The loss of natural habitats and biodiversity is one example. Tropical forests are being

depleted at a rate of just under 1 per cent a year. Animal species are also being destroyed at an accelerating pace.

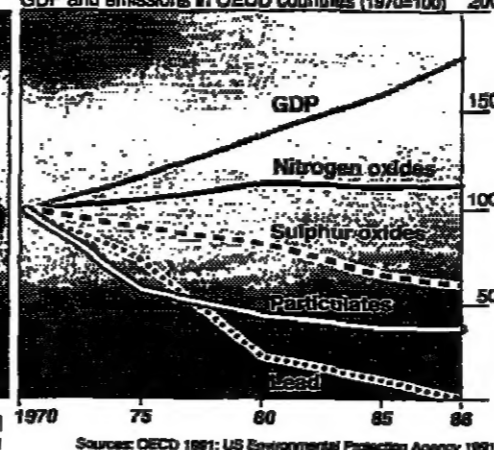
Global warming is a second example. The build up of carbon dioxide is expected to raise

average temperatures by 3 degrees Celsius within a century - and perhaps by more than 5 degrees Celsius.

The bank advocates two kinds of green reforms. The first are "win-win" policies offering benefits without negative effects on growth. The most important include:

- The removal of economic distortions. Developing countries encourage pollution by spending \$230bn (£130bn) a

The practice



Sources: OECD 1991; US Environmental Protection Agency 1991

year on energy subsidies. Deforestation is also encouraged by the charging of logging fees covering less than a third of the cost of replanting trees.

● Clarification of property rights. Resources such as forests are being depleted because people have open access to them. Where ownership rights are firmly established, as for metals and minerals, demand is rationed by rising prices which also encourage the use of substitutes.

The bank concedes, however, that "win-win" policies alone will not suffice. Some "win-lose" policies restraining growth to achieve environmental goals are inevitable.

It urges the use of market-based policies, such as taxes on polluters or tradeable pollution permits. US studies indicate flexible policies can sharply

reduce the overall cost of pollution curbs by encouraging the producers least disrupted to shoulder the greatest burden. In some cases, however, market-based policies will have to be bolstered by direct "command-and-control" regulation.

The report says developing countries should bear most of the costs of local environmental programmes. These could amount to 2-3 per cent of GDP a year, but would be reflected mainly in higher prices for consumers rather than in government outlays.

However, as the world's worst polluters, industrial countries should bear much of the burden of meeting global challenges, such as preservation of forests and animal species and the curbing of global warming. Such transfers should be seen as imports or "payments for services rendered" rather than aid.

Indeed, the bank points out that, if "rights" to carbon emissions were based on population density, industrial countries would already have exceeded their quota and ought to pay compensation for their current emissions. Such compensation would roughly equal current development finance.

The bank's underlying message is positive; some would say too good to be true. If governments can muster the political will to make rational - yet relatively inexpensive - reforms an extra 3.7bn people can enjoy rapid growth without threatening the environment.

*Development and the Environment. The World Bank, 1818 H Street, N.W. Washington DC.*

## Population level poses big threat

By David Lascelles,  
Resources Editor

RAPID growth in the world's population, most of it among people living in poverty, poses one of the gravest threats to the environment. "The result is overgrazing, deforestation, depletion of water resources and loss of natural habitat," says the report.

Over the next 30 to 40 years the world's population could rise by a further 3.7bn people, from its present level of 5.3bn. In most parts of the world this growth will come among urban dwellers. Only in Africa will more than half the population

still be living on "the land". The report makes the gloomy comment that the earlier goal of reducing the number of poor in the world between 1986 and 2000 will now not be achievable. At the end of this century the number of poor is now projected to exceed 1.1bn people.

The report says four policy aims should be adopted to check these trends:

- Incomes of poor households must rise.
- Child mortality must decline.
- Educational and employment opportunities (especially for women) must expand.
- Access to family planning services must be increased.

The report says investment in female education yields some of the highest returns for development and the environment, as better-educated mothers raise healthier families and have fewer children.

Family planning also helps. Contraceptive use in developing countries expanded from 40 per cent to 49 per cent over the last decade. But there is large, unmet demand for contraceptives and their use must continue to rise sharply to keep population growth under control.

## Plans for a better world could cost \$75bn a year

By David Lascelles

THE crunch in the World Bank's report is over the cost of its proposals. The total sum needed to finance work on water and sanitation, electric power, road transport, emissions, agriculture, population and female education could reach \$75bn (£42.3bn) a year by 2000.

This would be over and above investments which are already being made, and would amount to 1.4 per cent of the GNP of developing countries. But the report is quick to point out that these additional investments should pay off because countries with good economic policies grow twice as fast as those without.

Much of the money will have to come from the developing countries themselves. But more must come through an open international trade system, and adequate access to the international capital market. A further source will be official aid from the developed nations.

The World Bank tries not to be daunted by the task ahead. Despite what the doomsayers predict, poverty could be eliminated in the next generation, the world's water-based problems could be solved and food production raised without harming the environment. But it will all depend on rising incomes, investment, education and increased employment.

## Water and sanitation listed as top priorities for developing countries

By David Lascelles

MANY of the world's most pressing problems can be traced to one vital resource: water. All too frequently it is either scarce or contaminated.

The World Bank report puts dirty water and inadequate sanitation at the top of the developing countries' priorities.

While rivers in high-income countries are becoming cleaner, they are not improving in middle-income countries, and in poor countries they

are actually getting dirtier.

Much of the contamination is caused by disease-bearing human waste. As surface water becomes less usable, people turn to ground water. But this too is liable to increased pollution from seepage of improperly disposed chemicals and other hazardous wastes.

Although progress has been made in bringing sanitation to the world's population, little has been done to treat human sewage. In Latin America, as little as 2 per cent of it

receives any treatment. It is estimated that worldwide 1.7bn people are without access to proper sanitation. It is also calculated that at least 170m people in urban areas still lack a source of drinking water near their homes. The number in rural areas without safe water is put at 855m.

Twenty two countries face a permanent and severe water shortage; 18 more go dangerously short in years of poor rainfall.

Because of the big role played by water in bearing diseases such as

typhoid and cholera, a clean-up in the water system can bring rapid benefits to human health.

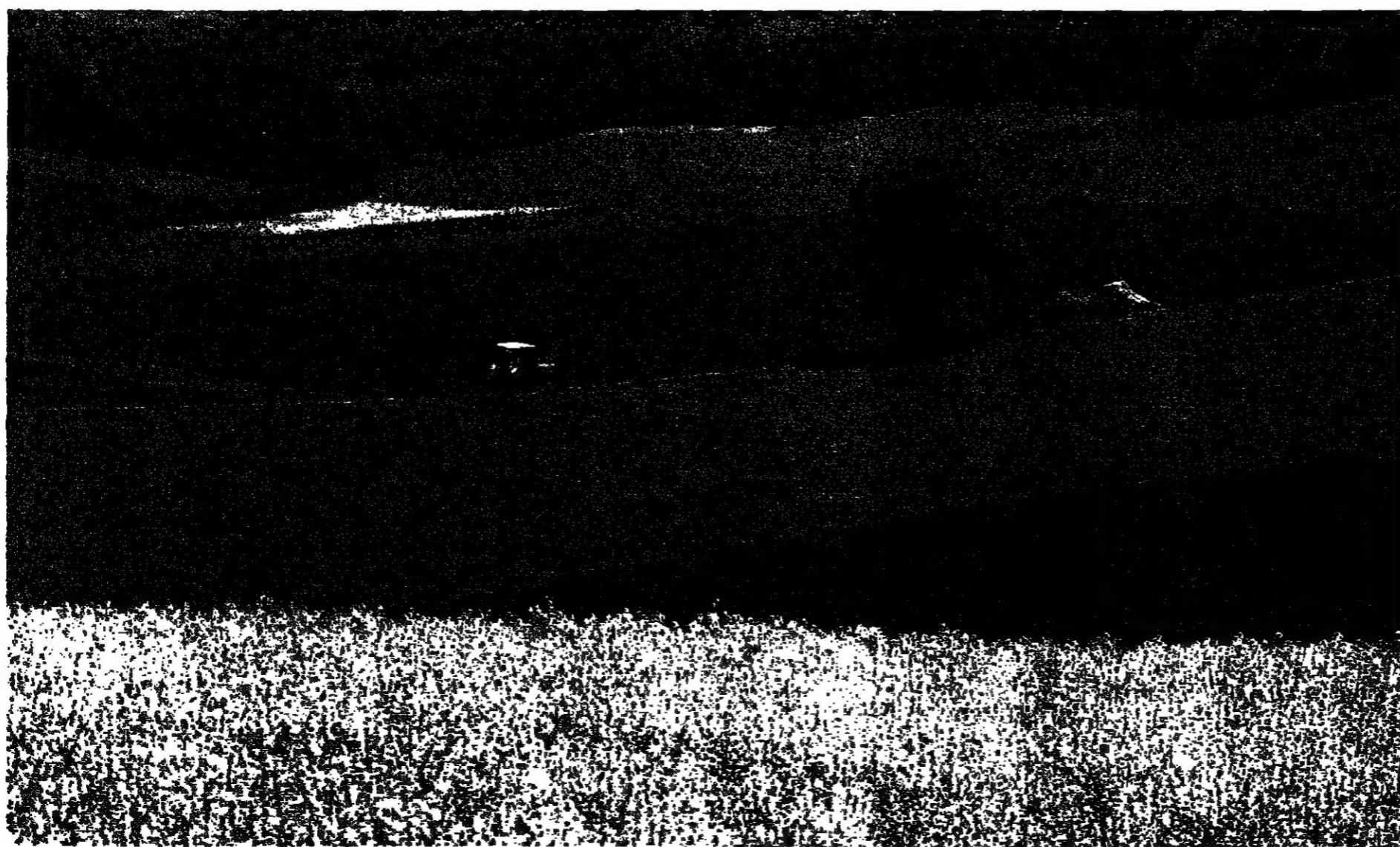
If all those people now without safe water and adequate sanitation were to receive it, the World Bank estimates that 2m fewer young children would die of diarrhoea, and hundreds of millions of people would be spared various infectious diseases.

But it is an enormous task. In Nigeria, for instance, providing access to clean water for the whole population by the year 2030 would

mean increasing the number of urban mains connections four times, and of rural connections almost nine times.

The World Bank recommends an action programme for more efficient management of water resources. This would include providing at full cost those services that people want and are willing to pay for, such as supplying water and collecting waste. Both community organisations and the private sector have a role to play in providing the right response, the report says.

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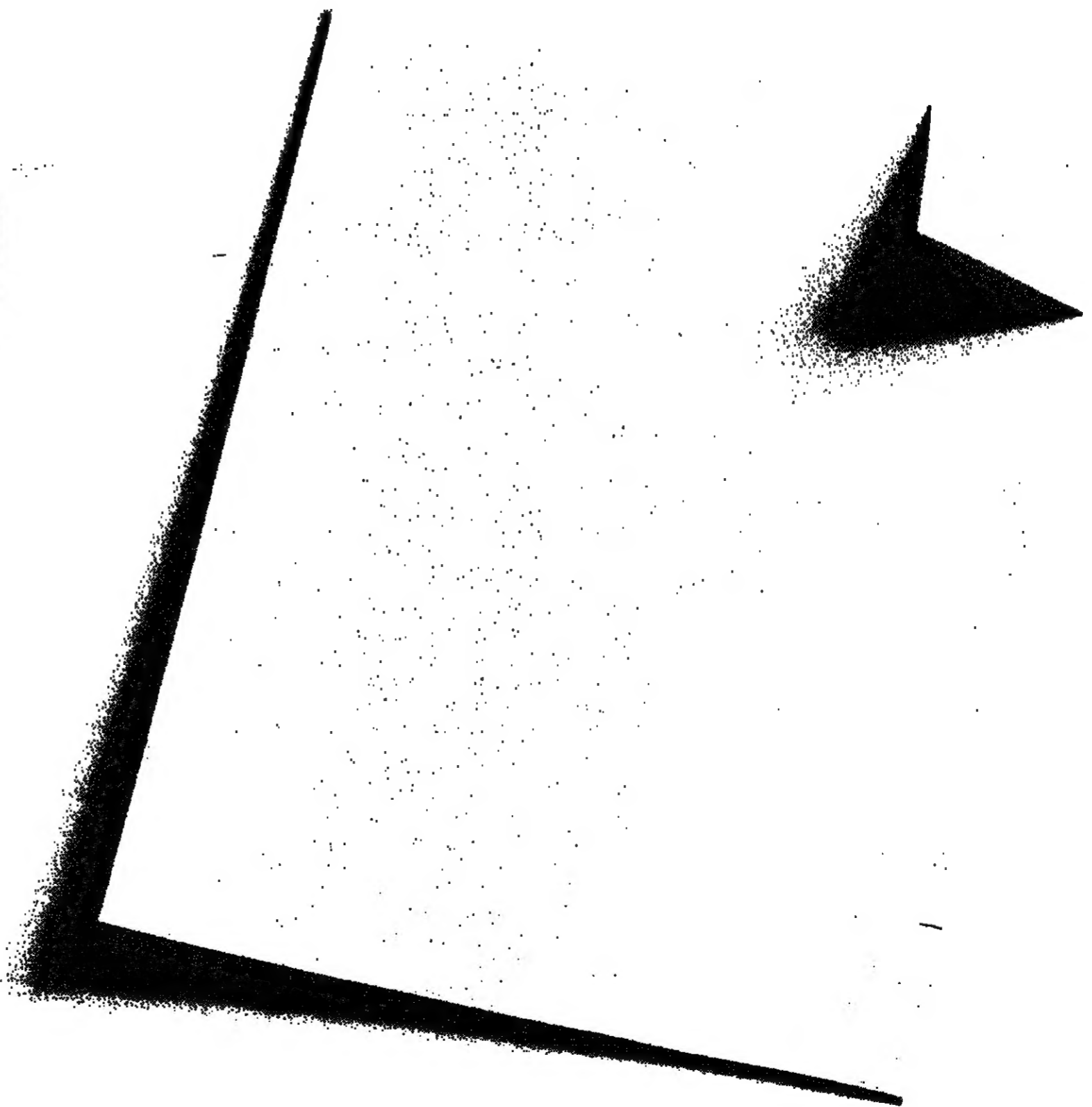




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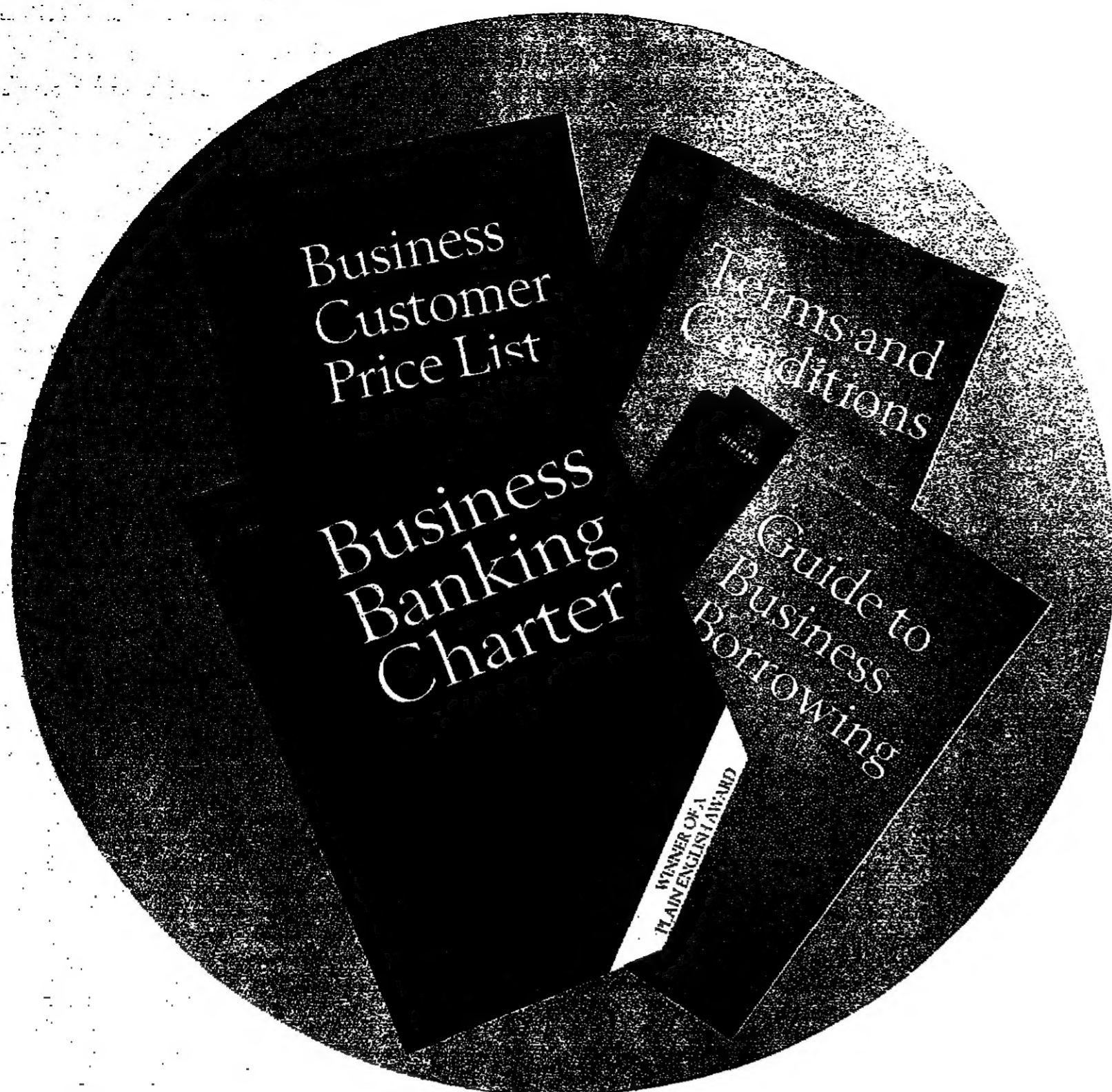
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## MANAGEMENT

Peter Marsh suggests some alternative statistical sources

## How to figure out the end of recession

The 64,000 dollar question for most British companies is whether the country is finally emerging from recession.

The problem is how to go about finding an answer. The evidence is ambiguous and most published economic indicators are weeks, if not months, out of date. If you want to be a step ahead, you should consider alternative sources of information, some of which can be obtained on a weekly basis. Here are the indicators to watch.

**Official data**

The government's Central Statistical Office provides monthly data about such things as retail sales, exports and imports and consumer credit.

The information is normally reliable and reasonably accurate, but refers to economic events up to two months in the past.

**Unofficial data**

The weekly data from unofficial sources are less comprehensive and may not correct for seasonal distortions. But provided you treat the figures with caution, they should give you useful clues.

Treasury officials lean heavily on such data: every Friday, Norman

Lamont, the chancellor, is given a report detailing what has happened in the economy over the past fortnight.

**Retail sales**

A group of 30 of Britain's largest stores - accounting for roughly half the total turnover of the retail sector - collaborate on a computerised project which adds up their revenues every week. Every Tuesday, the companies know the sales totals for the group as a whole in the previous week (the revenues for specific companies are not identified). The data in recent weeks show that there has been little economic uplift since the April 9 general election.

Over the next few weeks they should provide clues to trends in consumer spending, which accounts for two-thirds of the £500bn a year UK economy and will be a vital factor behind any recovery. The weekly data are not publicly released, but if you know someone in one of the stores involved, there is a good chance you can get the information.

**Clothing and footwear**

Six companies - House of Fraser, Marks and Spencer, Storehouse, Burton, Sears and John Lewis -

organise a variant on the above for their particular sector. Though only a small part of retailing (a tenth of sales in the sector), weekly data represent a useful snapshot. The statistics are produced by Price Waterhouse, the accountants, and go routinely to the Treasury. Among the specific companies, John Lewis publishes its weekly sales figures on a weekly basis - a useful public service. M and S does not publish its figures but sends an index of its sales every month to the Treasury.

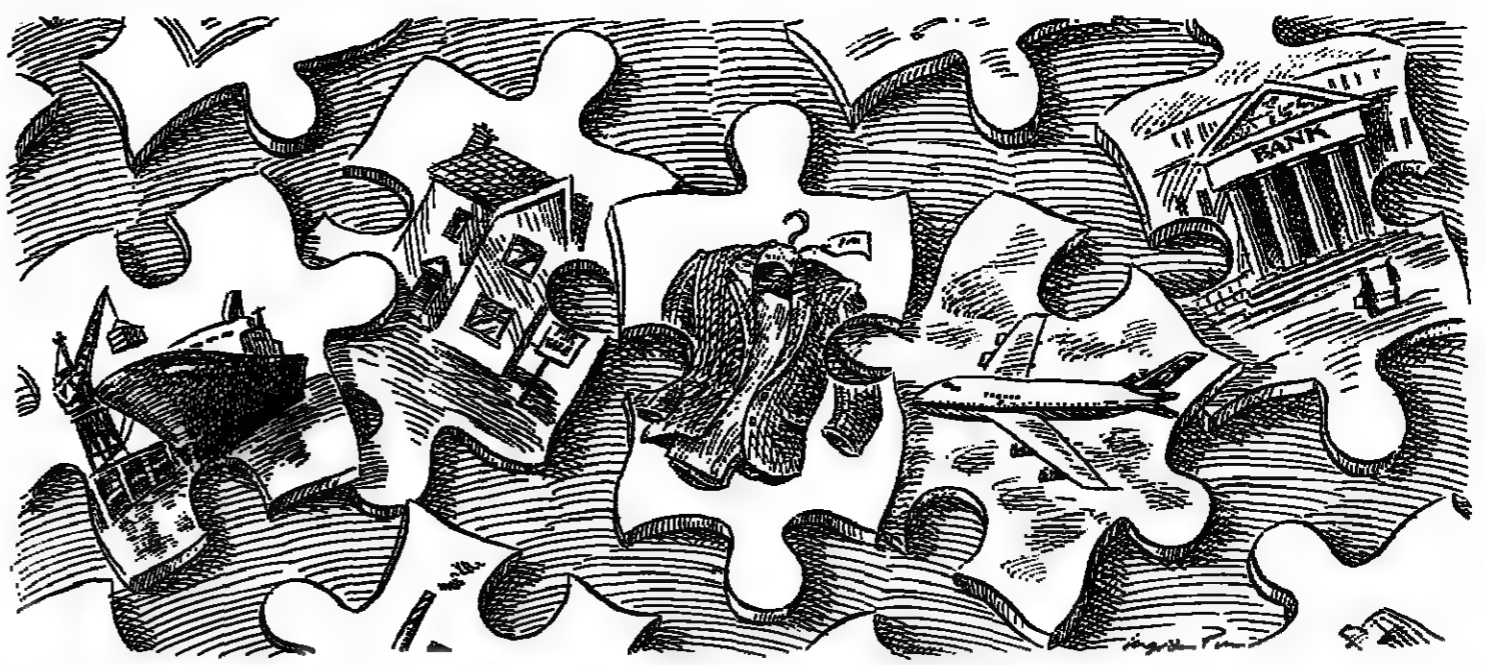
**Bank and building society lending**

A group of 90 large banks gives information every week to the Bank of England about its lending patterns. The collated data related to the previous week are normally available every Wednesday.

Much the same happens for building society lending, with the figures being collected by the Building Societies Commission, the industry watchdog.

As with retail sales, only the monthly figures are available to the public - well out of date.

If you want to find out about the weekly data, take out for lunch a top banker or building society chief and state your case. The Treasury



gets the statistics every week.

**Housing sales**

The big building societies, which have their own chains of estate agents, conduct their own weekly surveys to assess the strength of housing turnover. At least one of these groups provides the Treasury with the information. Assessing the nationwide pattern on a weekly basis is extremely difficult. But the data from the individual businesses will almost certainly be a help.

**Air transport**

British Airways and BAA produce their own monthly data on UK passenger traffic and aircraft movements.

However, they normally keep much of the most interesting

information - such as the numbers of people using specific routes - to themselves. If you have a good internal contact, you may be able to get the data on a weekly basis.

**Car sales**

The Society of Motor Manufacturers and Traders has an arrangement with the government's Driver and Vehicle Licensing Agency under which it gets data - transferred via electronic links - about new car registrations, virtually as they are happening.

This can provide timely clues as to overall economic activity. The SMMT publishes figures for each month, normally on the fourth working day of the following month. The statistics for April showed a sharp year-on-year

increase. Why not ask the DVLA for the data on a more timely basis?

**Recruitment**

MSL, a specialist recruitment consultancy, monitors job advertisements in newspapers to gauge demand for top managers in industry and public services. This is considered a reliable guide to future patterns of economic activity. An index compiled by MSL - which has a good track record - is normally published once a quarter. MSL may be able to inform you about changes more regularly.

**Trade**

Official data about imports and exports are published by the CSO, weeks out of date. A useful guide to trends - though not conclusive -

may be the figures available every week from P&O, the shipping company, on its cargoes to and from the UK and continental Europe.

**Industry**

Time was when sulphuric acid and steel were the main industrial bellwethers. More important now are semiconductors and plastics packaging. The Electronic Component Industry Federation publishes monthly figures on semiconductor production and consumption. (The most recent data show little sign of any economic lift.) And talk to British Polyethylene Industries, Europe's biggest producer of plastic sheet. In recent months, sales have been "flat on a quarterly basis, but not as bad as a year ago."

## Bosses on the up and up, down under

Kevin Brown says there is concern over rises in executive pay in Australia

Australian bosses seem to be awarding themselves increasingly fat pay rises, while at the same time expecting blue collar workers to act in the national interest and accept modest increases.

Peter Cook, federal industrial relations minister, says he is "concerned" by forecasts that bosses' pay will rise by 13 per cent this year, when workers, covered by Australia's centralised wage bargaining system, will receive increases of 2.5 per cent.

The figures reflect a disparity which has become more noticeable since the Labor Party began to open the economy to external pressures in the mid-1980s, ending 90 years of protectionism. This has led to a more competitive market for senior executives. But while top salaries have been rising sharply, the government has sought to

improve overall industrial competitiveness and control inflation by holding down average wages.

Workers have been angered by evidence that the increases of their bosses have not always borne much relation to performance, especially in companies run by entrepreneurs like Alan Bond, former chairman of Bond Corporation Holdings and Christopher Skase, former head of the Qintex media and leisure group.

The largest rise in directors' fees in 1990 was for John Spalvins, then managing director of the Adelaide Steamship group, whose pay rose 56 per cent to A\$1.2m (£500,000).

Adsteam subsequently fired Spalvins under pressure from its bankers and the company is now being financially restructured.

While no one is prepared to defend the entrepreneurs, many consultants say Australian salaries and fees are relatively low by international standards and suggest that an adjustment was inevitable.

Towers Perrin, the international management consultancy, recently produced a comparison of executive pay which concluded that Australian salaries were in the bottom quartile of the 21 countries studied.

The total package for the chief executive of a medium-sized Aus-

tralian company was put at \$371,000, (£150,500) the lowest of any OECD country surveyed. Equivalent salaries included \$400,000 in the UK, and \$747,000 in the US.

Matthew Butlin, a senior official of the Business Council of Australia, says disparities of this kind have been behind the increase in top pay which has taken place as the economy has opened up.

However, the apparent underpayment of Australians may be misleading. Simple comparisons fail to take into account the job security traditionally enjoyed by Australian managers. In addition,

many Australian businesses are subsidiaries of overseas corporations which make important decisions at parent company level. This means that the responsibilities of Australian executives are often not comparable to those of managers in independently-owned companies of similar size.

Nevertheless, the trend in executive rewards is clearly upwards, and there are few signs that the boom is petering out, although it has been slowed by 18 months of flat or negative economic growth.

The government has set up an inquiry into the issue which will report later this year. However,



early indications are that the inquiry is finding it difficult to identify ways of forcing executives to share the restraint being urged on the rest of the community.

From the government's point of view, the best hope is likely to be a greater linkage between pay and performance and greater scrutiny

of top pay by remuneration committees and non-executive directors. Peter Kent, chairman of the Australian Shareholders' Association, says such a development would be strongly supported by small shareholders, few of whom object to high salaries for executives who produce results.

However, John Egan, a veteran Sydney remuneration consultant, says the introduction of results-related remuneration is being strongly resisted by managers who are unaccustomed to the idea of risking part of their income - or their jobs.

"We have to find a path forward where we are not encouraging greed, but we are genuinely responding to sustained performance by managers who are also at risk of losing their jobs if they don't perform. That is not going to be easy to do," said Egan.

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